HOUSING MARKET OUTLOOK

Saint John, Moncton CMAs and Fredericton CA

CANADA MORTGAGE AND HOUSING CORPORATION

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Long Term Economic Prospects Support Housing Market

The residential housing market will remain strong in historical terms this year and next. A moderate rebound is expected to push total provincial housing starts higher in 2010, to 3,525 units, following a decline to 3,400 in 2009.

Economic growth in New Brunswick was limited in 2009 as exporters in the province continued to face a decline in global demand for commodities. Fewer exports have also had a negative impact on the manufacturing and transportation sectors in the province. No significant increase in economic growth is

Figure 1

Single Starts - Moncton, Fredericton and Saint John

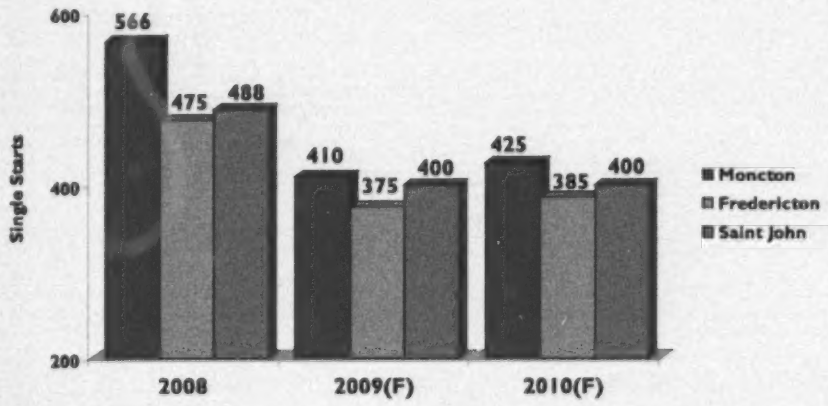

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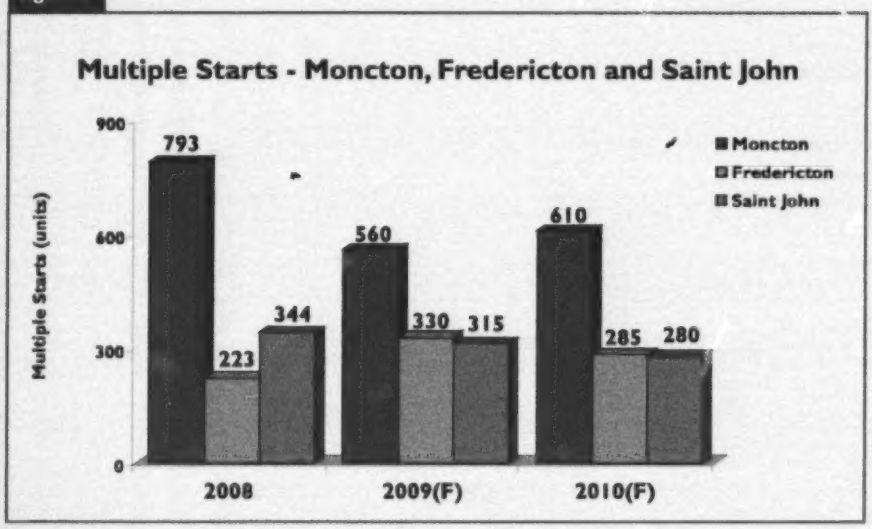
Figure 2



Source : CMHC

expected until a global recovery begins to take hold in 2010.

Despite economic uncertainty, the long term outlook for New Brunswick contains positive elements which will serve to support housing demand. For example, the last provincial budget for 2009-2010 focused on job creation, with $1.2 billion set aside for infrastructure programs and support to New Brunswick businesses. Notwithstanding, the return of sustained economic expansion will rely heavily on capital investment.

Employment in New Brunswick's three large urban centres has been stable in 2009. As a result, positive net-migration continued in both Moncton and Fredericton, as each centre benefited from solid service, retail and construction sectors. Conversely, in-migration in Saint John, which has been muted in recent years, is not likely to change during the remainder of this year and in 2010. Reduced housing demand in all three centres has led to a lower level of activity in both the new home and resale markets. Employment levels are expected to remain flat in 2010; however, this should not significantly affect the housing market.

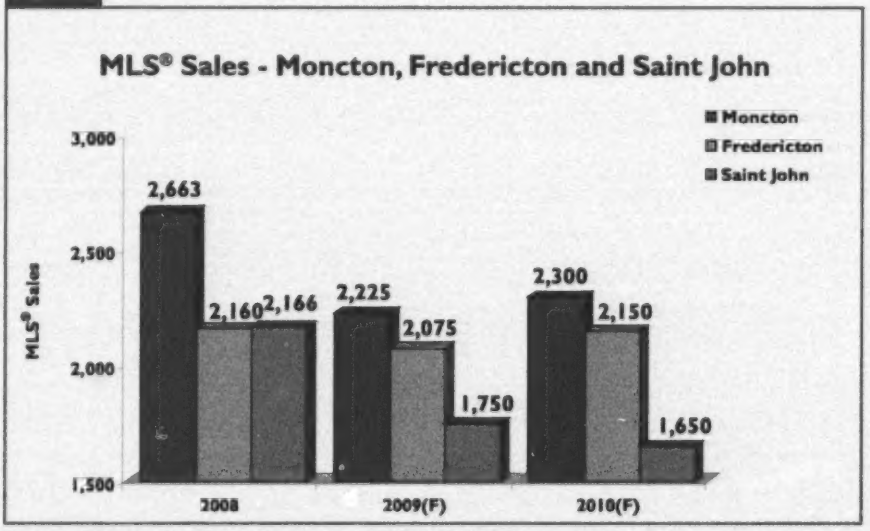
The Bank of Canada cut the Target for the Overnight Rate in the early months of 2009. The rate was 1.50 per cent at the start of 2009 and has since fallen to 0.25 per cent. The Bank has committed to keeping this rate at 0.25 per cent through the middle of 2010 unless inflationary pressures warrant an increase.

Mortgage rates have fallen over the course of 2009, but are now expected to remain relatively stable for the rest of the year. Posted mortgage rates will gradually increase through 2010, but will do so at a slow pace. For 2010, the one-year posted mortgage rate will be in the 3.50-4.25 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.50-6.00 per cent range.

Residential Construction Expected to Record Moderate Rebound in 2010

Residential housing starts in Greater Moncton to the end of the third quarter were down compared to the same period last year. Fewer multiple starts were a major contributor to the overall decline. Due to strong

Figure 3



Source : Canadian Real Estate Association (CREA), CMHC Forecast
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demand, semi-detached starts accounted for almost 60 per cent of multiple starts last year. In 2009, a larger inventory of completed and unabsorbed semi-detached units, combined with reduced demand will lead to the first annual decline in semi-detached starts in over a decade. As supply and demand become more balanced in the coming months, semi-detached starts will stabilize next year.

Apartment starts have also declined in 2009. However, with the local vacancy rate at historically low levels, expect apartment starts to rebound in 2010. As a result, the anticipated decline in multiple starts in 2009 will be followed by a moderate rebound in 2010. With reduced demand, single starts are expected to follow a similar trend in 2009, with a moderate decline to 410 units, followed by an increase to 425 units next year.

The decline in multiple starts observed in Saint John during the first nine months of the year was tempered by activity during the winter months as ground was broken on several rental projects. However, with current energy sector projects winding down, and other potential projects likely a number of years away, housing demand is expected to decline over the forecast period. As a result, expect a decline to 400 single starts in 2009, with little or no increase expected in 2010. Multiple starts are expected to fall to 315 units in 2009, followed by an additional decline the following year.

After the first nine months of 2009, Fredericton was the only large urban centre in New Brunswick with a year-over-year increase in total housing starts. The increase stemmed from a large increase in apartment starts. A lower vacancy rate combined with stable demand bolstered by positive net-migration resulted in increased construction activity in the local rental market. Reduced demand for single-family homes led to fewer single starts in 2009, a trend that is expected to persist for the remainder of the year. As a result, expect single starts to decline to 375 units in 2009, followed by a modest increase in 2010. Owing to the large increase in apartment starts in 2009, expect a moderate decline in 2010 as the new units added to the rental universe are absorbed. Since apartment units account for the majority of multi-unit dwellings in Fredericton, a moderate decline in multiple starts to 285 units is expected in 2010.

Resale Market Resilient in Large Urban Centres

After the first three quarters of 2009, Greater Moncton posted the highest volume of sales in the province. However, year-to-date MLS® sales in Greater Moncton were down by over 15 per cent compared to last year. New listings have also declined, supporting price growth, which has been healthy during the first three quarters of the year. Following record sales in 2007, MLS® sales in Greater Moncton will decline for the second consecutive year in 2009, with sales expected to come in at 2,225 units, followed by moderate growth to 2,300 units in 2010. Price growth, which has been steady in 2009 despite the uncertainty in the market, should range between three and five per cent in both 2009 and 2010.

Existing home sales have trailed last year's pace throughout the year in Saint John, a trend that will remain to the end of 2009. Reduced activity in the region's energy sector, will result in lower levels of economic activity. Consequently, the reduced level of MLS® sales recorded this year in the port city will be followed by a moderate decline to 1,650 units in 2010. Despite fewer sales in 2009, price growth in Saint John has led the province, culminating in the highest average MLS® price in New Brunswick. Although fewer sales are expected in both 2009 and 2010, the average MLS® sale price is expected to rise to $168,500 by the end of this year, with a subsequent increase to $172,000 in 2010.

Although fewer MLS® sales were also recorded in the capital region during the first three quarters of 2009 compared to last year, the decline was the smallest among New Brunswick's three large urban centres as demand has remained strong. Furthermore, MLS® sales in Fredericton as of the end of the third quarter were less than 50 units behind Greater Moncton's province leading pace. Conversely, price growth, although maintaining a positive trend, was lower than the level recorded in either Moncton or Saint John. Although economic uncertainty persists, the diversified nature of the Fredericton economy has continued to be supported by strong employment numbers and this should provide a measure of stability over the forecast period. For 2009 and 2010, expect unit sales to reach 2,075 and 2,150 units respectively, with the average sale price climbing to $159,000 in 2009, and $166,500 in 2010.

Vacancy Rates to Decline in Some Provincial Centres

Last fall, vacancy rates declined in New Brunswick's three large urban centres. Greater Moncton posted the lowest vacancy rate at 2.4 per cent,

while Saint John and Fredericton were slightly higher at 3.1 and 4.3 per cent, respectively. The lower vacancy rates highlighted existing demand for rental units in all three centres.

With fewer apartment starts in Greater Moncton in 2009 compared to last year, the vacancy rate will not increase significantly. As a result, expect the vacancy rate to range between 2.5 and 3.0 per cent in both 2009 and 2010. Upward pressure on the vacancy rate should be limited in Saint John, due to negligible in-migration. Expect the vacancy rate to range between 2.5 and 3.0 per cent in both 2009 and 2010. After falling 2.2 percentage points last year, the vacancy rate in Fredericton will increase in 2009 as apartment starts have been strong this year. As a result, expect the local vacancy rate to be between 4.0 and 4.5 per cent in 2009, with a moderate increase anticipated in 2010. In all of the province's three major urban areas, expect the average rent for a two-bedroom unit to increase by between two and three per cent in both 2009 and 2010.

Forecast Summary Saint John CMA Fall 2009	2006	2007	2008	2009f	% chg	2010f	% chg
Resale Market							
MLS® Sales	1,852	2,253	2,166	1,750	-19.2	1,650	-5.7
MLS® New Listings	3,357	3,391	3,621	4,100	13.2	3,750	-8.5
MLS® Average Price ($)	128,202	140,544	158,117	168,500	6.6	172,000	2.1
New Home Market							
Starts:							
Single-Detached	363	412	488	400	-18.0	400	0.0
Multiples	202	275	344	315	-8.4	280	-11.1
Starts - Total	565	687	832	715	-14.1	680	-4.9
Average Price ($):							
Single-Detached	215,666	231,880	247,921	275,000	10.9	290,000	5.5
Median Price ($):							
Single-Detached	190,404	225,000	244,900	250,000	2.1	257,500	3.0
New Housing Price Index (% chg) (Saint John-Moncton-Fredericton)	3.3	0.9	2.5	3.8	-	1.7	-
Rental Market							
October Vacancy Rate (%)	6.8	5.2	3.1	2.8	-0.3	2.5	-0.3
Two-bedroom Average Rent (October) ($)	556	570	618	630	-	645	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.28	6.90	6.70	4.03	-2.67	3.83	-0.20
Mortgage Rate (5 year) (%)	6.66	7.07	7.06	5.55	-1.51	5.75	0.20
Annual Employment Level	61,900	66,000	65,000	67,000	3.1	65,750	-1.9
Employment Growth (%)	0.0	6.6	-1.5	-	-	1.3	-
Unemployment rate (%)	6.1	4.9	6.2	6.0	-	5.8	-
Net Migration (N.B.)	-2,849	693	1,031	2,075	101.3	1,400	-32.5

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

Forecast Summary Moncton CMA Fall 2009	2006	2007	2008	2009f	% chg	2010f	% chg
Resale Market							
MLS® Sales	2,561	2,849	2,663	2,225	-16.4	2,300	3.4
MLS® New Listings	4,416	4,464	4,590	4,200	-8.5	4,000	-4.8
MLS® Average Price ($)	128,547	140,032	143,173	149,500	4.4	155,500	4.0
New Home Market							
Starts:							
Single-Detached	593	655	566	410	-27.6	425	3.7
Multiples	823	770	793	560	-29.4	610	8.9
Starts - Total	1,416	1,425	1,359	970	-28.6	1,035	6.7
Average Price ($):							
Single-Detached	191,220	208,653	217,173	222,500	2.5	230,000	3.4
Median Price ($):							
Single-Detached	179,900	199,900	199,900	205,000	2.6	210,000	2.4
New Housing Price Index (% chg) (Saint John-Moncton-Fredericton)	3.3	0.9	2.5	3.8	-	1.7	-
Rental Market							
October Vacancy Rate (%)	5.6	4.3	2.4	2.5	0.1	3.0	0.5
Two-bedroom Average Rent (October) ($)	636	643	656	670	-	690	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.28	6.90	6.70	4.03	-2.67	3.83	-0.20
Mortgage Rate (5 year) (%)	6.66	7.07	7.06	5.55	-1.51	5.75	0.20
Annual Employment Level	69,200	69,500	72,900	73,900	1.4	73,500	-0.5
Employment Growth (%)	0.1	0.4	4.9	-	-	1.1	-
Unemployment rate (%)	6.1	4.8	5.3	6.2	-	6.0	-
Net Migration (N.B.)	-2,849	693	1,031	2,075	101.3	1,400	-32.5

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Forecast Summary Fredericton CA Fall 2009							
	2006	2007	2008	2009f	% chg	2010f	% chg
Resale Market							
MLS® Sales	2,120	2,448	2,160	2,075	-3.9	2,150	3.6
MLS® New Listings	4,577	4,547	4,751	4,400	-7.4	4,250	-3.4
MLS® Average Price ($)	138,094	141,117	152,268	159,000	4.4	166,500	4.7
New Home Market							
Starts:							
Single-Detached	387	432	475	375	-21.1	385	2.7
Multiples	323	204	223	330	48.0	285	-13.6
Starts - Total	710	636	698	705	1.0	670	-5.0
Average Price ($):							
Single-Detached	211,914	207,781	225,002	250,000	11.1	265,000	6.0
Median Price ($):							
Single-Detached	205,000	199,000	219,000	239,000	9.1	245,000	2.5
New Housing Price Index (% chg) (Saint John-Moncton-Fredericton)	3.3	0.9	2.5	3.8	-	1.7	-
Rental Market							
October Vacancy Rate (%)	4.8	6.5	4.3	4.5	0.2	5.0	0.5
Two-bedroom Average Rent (October) ($)	693	701	697	710	-	730	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.28	6.90	6.70	4.03	-2.67	3.83	-0.20
Mortgage Rate (5 year) (%)	6.66	7.07	7.06	5.55	-1.51	5.75	0.20
Annual Employment Level	46,675	49,850	49,500	51,250	3.5	51,000	-0.5
Employment Growth (%)	0.5	6.8	-0.7	-	-	0.7	-
Unemployment rate (%)	6.2	4.8	4.6	6.1	-	6.0	-
Net Migration (N.B.)	-2,849	693	1,031	2,075	101.3	1,400	-32.5

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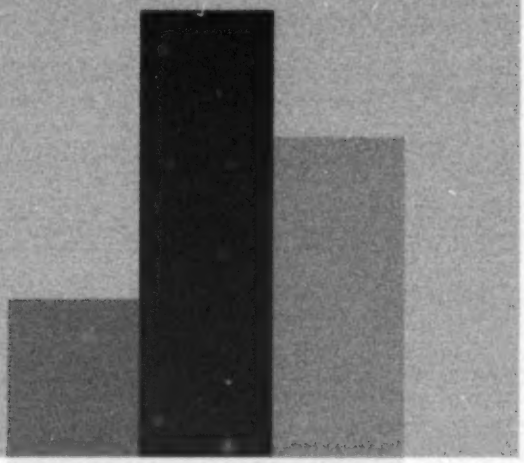

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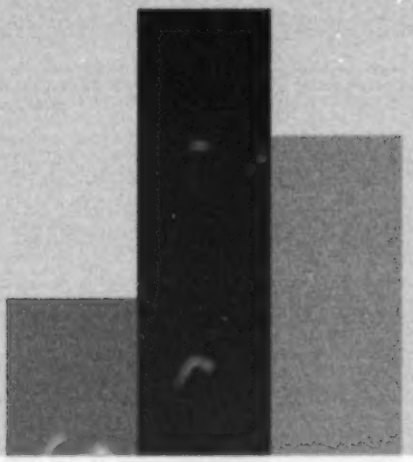

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